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# Backfiring Mischief

2 OCTOBER 1962

ALTHOUGH our attention is fixed on Mississippi and although it is a long way to Yugoslavia and Poland, this Tuesday is a critical day in the cold war in Eastern Europe.

The trade bill, on the whole so excellent, is being reported out of the conference of the House and Senate, and in its present form it contains a provision, inserted by the House against the will of the Senate, that would damage severely United States policy in Eastern Europe.

This policy was initiated by Truman and Acheson, elaborated by Eisenhower and Dulles, and carried on by Kennedy and Rusk. It offers material advantage to Communist countries that try to achieve national independence from the domination of the Soviet Union. The trade bill as it now stands would wreck this policy. On a crucial point the House has prevailed over the Senate.

THE DIFFERENCE between the two versions turns on what is known as the "most-favored-nation" for short the so-called MFN clause in trade agreements. MFN means that if a government grants tariff privileges to another, it must do the same for countries with which it has treaties containing the most-favored-nation clause.

Thus, insofar as this country has lowered its tariffs under the Reciprocal Trade Act, it has granted to all nations with which it has MFN agreements the same concessions.

Moreover, if the President acts under the trade bill to negotiate lower tariffs with the Common Market, we must grant the same lower duties to any other country with which we have an MFN agreement.



Lippmann

For some 13 years under three Presidents the official American judgment has been that although Yugoslavia is ruled by Communists, in a very considerable degree Yugoslavia is an independent national state and in critical matters is not ruled by Moscow.

About Poland, our feeling has been that it is struggling rather effectively to achieve increasing national independence. Thus under the Senate version Yugoslavia and Poland would continue to be eligible for MFN tariff treatment.

But in the House version, which prevailed in the conference, the test is not national independence but ideological belief. Thus MFN treatment must be denied to "any country or area dominated or controlled by communism."

If this test prevails in the final bill, the President will have to deny MFN treatment "as soon as practicable" to Poland and to Yugoslavia.

WHAT WILL be the practical effect? The economic impact will be much greater on Yugoslavia, which does 70 per cent of its foreign trade with the Western countries, than on Poland, which does only about 40 per cent of its trade with the West.

The act of slamming the door in their faces will be demoralizing to the younger generation everywhere in Eastern Europe who look increasingly toward the West. The symbolic importance probably outweighs the material effect.

Because Yugoslavia has received MFN treatment for so long a time, it has built up a foreign trade dependent on the tariff benefits, which give it a great advantage as against its Communist neighbors and parity with its competitors in the non-Communist world.

If the trade bill prevails as it now stands, the tariff duties on about 90 per cent of the goods imported into

are canned meat on which we have made no tariff concessions to any country. For the rest, Poland has enjoyed MFN treatment only since December 1960 and has not had time to develop much trade accordingly.

The fact that Yugoslavia has such a preponderant relationship with the non-Communist world has had enormous bearing on the cold war in Southern and Eastern Europe.

Ideologically, the Yugoslav officials are Communists. But they are Yugoslav Communists and not Muscovite Communists. So on matters that do not affect Yugoslav national interests they generally follow the Soviet line. But when their national interests are involved, they act independently.

Thus, Yugoslavia is not a member of the Warsaw military pact. What is more, because we have had the good sense to equip the Yugoslav air force, the United States and not the Soviet Union is the supplier of the spare parts and replacements.

It is asinine to call this assistance to communism. We have in fact achieved the same kind of penetration of the Communist world as Moscow has done in our world in Cuba.

Though Tito is ideologically aligned against us, strategically and in the ultimate political sense he is aligned with us.

When he broke with Moscow in 1948, he closed his frontier to the Communist guerrillas who were waging civil war in Greece. He made a satisfactory settlement with Italy in Trieste. And he worked out good arrangements with his neighbor Austria.

In that part of Europe of which Yugoslavia is the keystone, the imperial expansion of the Soviet Union is not only contained but is in fact rolled back.

THE SENATE understood

## Polish-Yugoslav Issue

# Mills in the Doghouse For Trade Bill Stand

By Chalmers M. Roberts

Staff Writer

Chairman Wilbur D. Mills of the House Ways and Means Committee turns out to be the central figure in what amounts to an important switch in United States foreign policy.

As a result, the Kennedy Administration in general and the State Department in particular are vexed, to put it rather mildly, with the Democratic Congressman from Arkansas.

It was Mills who insisted that the President's Trade Expansion Act, which will come up in the House today for a final vote, contain provisions denying to both Poland and Yugoslavia the advantages of the most-favored-nation clause. Both the Poles and the Yugoslavs are unhappy, though for reasons different from those at State.

The bill, as agreed on in a Senate-House conference, provides that these two Communist nations would no longer have a special trade advantage with the U. S., an advantage denied other Communist countries.

The Administration wants to continue that special trade advantage as a method of loosening Polish and Yugoslav ties with Moscow. In turn, the Poles and the Yugoslavs want the trade tie for their own economic growth and, though they won't say so out loud, as a means of leverage in their dealing with Soviet Union.

Just about every top official has tried to persuade Mills to change his stand. President Kennedy has talked to him, and in the last couple of days Mills also has been implored by White House legislative chief Lawrence O'Brien, State Department legal adviser Abram Chayes, State Department Congressional relations chief Frederick G. Dutton and even Central Intelligence Agency chief John A. McCone.

## News Analysis

But Mills has remained adamant. He told a reporter yesterday that former President Eisenhower, in his view, had violated a previous Mills clause in the old trade law by continuing most-favored-nation treatment for the two countries. This time he was determined to put a stop to it.

Under the Most-Favored-Nation procedure, if the U. S. grants tariff cuts to any country (as it hopes to do under the new law), it must do the same for those with which it has MFN agreements.

Mills argues that if the new law permits the President to give such favorable treatment to the Poles and Yugoslavs he could do the same for the Czechs and Hungarians. Besides, Mills argued, how could House members go home to campaign and say they had voted to help build up the economy of nations that would be on the Soviet side in any showdown? Mills is against that in principle.

Mills contends that the House would not stand for it even if he agreed himself. And here he probably is correct. The Administration currently is working furiously to prevent a similar anti-Polish-and-Yugoslav provision from being written into the conference version of the foreign aid bill.

As to Yugoslavia, the new law will not take effect at once because an 1881 treaty with Serbia, now part of Yugoslavia, requires a year's notice of cancellation. Poland will be more quickly affected, probably in a couple of months, according to State.

The Poles argue that this will drastically reverse Polish-American trade from the current level of \$47 million a year to about \$20 million, and will make impossible any settlement of pre-war U. S. claims.

But Mills argues that Poland will not be substantially hurt since these are the chief Polish imports to the U. S. and, he says, will not be affected. He concedes that Yugoslavia will be hurt economically.

There has been some talk that the new trade act provision is a violation of the General Agreement on Tariffs and Trade (GATT), but State does not think so. The United States never ratified the GATT treaty but acceded to GATT through an executive agreement. Besides, the United States cut off the Czechs some years ago. Poland is not a GATT member anyway, and Yugoslavia is only an associate member.

Because the new trade bill is so highly satisfactory to the Administration except for this one provision it has been decided to give up the fight in view of Mills's stand. But an effort is expected next year to get through a bill to change this provision.

The Truman, Eisenhower and Kennedy Administrations have given special treatment to Yugoslavia since it broke with Moscow in 1948 and to Poland since the October revolt against Moscow in 1956. The effect of the new provision is to alter this policy to an important degree by Congressional action.

**Polish-Yugoslav Issue****Mills in the Doghouse  
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